



REVIEW 2008-09

 **microloan**
FOUNDATION

HOW MICROLOAN WORKS

The charity provides loans to groups of 10–18 women. Each group has its business ideas appraised and receives eight training sessions covering topics such as book keeping and cash flow. All group members are required to save money as a source of security. Each woman receives her loan as a cheque and opens an account at a designated bank.

Individuals in the group then establish small commercial ventures. Groups meet with a loan officer every two weeks to review their progress. Repayments against loans are made fortnightly by each group member. Where a business is not going well it is the responsibility of the MicroLoan loan officer to get things back on track.

Loans typically last for four months. Each group member is eligible to receive up to four loans after which their business should be commercially viable. Loans are small – on average £55 per individual. Interest rates reflect local commercial rates, with an adjustment to pay for training. Should an individual want to develop a business further they may receive a bridging loan of £140–£350, or access our Microventures programme.

MicroLoan clients from a group in Malawi



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CHAIRMAN'S LETTER



Egmont ("Eggie") Kock

When I retired from Deloitte in 2008, I was determined to get involved with a charity but was unclear what form this might take. Then chance intervened in the shape of a conversation with a MicroLoan Foundation Trustee at a party given by a mutual friend... and I was captivated.

Why did I accept the role of Chairman? Well, it seemed a perfect fit in many ways. Africa is in my blood having been brought up there – I was born in South Africa, moved to Botswana at a young age and then to Zimbabwe where I spent most of my school years. Much of my formative experiences came in the bush where I built a great affinity with the African people. In fact my parents, who were also African born, were at the forefront in opposing the apartheid regime in South Africa and subsequently Ian Smith's attempts to maintain white supremacy in Rhodesia. There is no doubt that this exposure at a young age had a defining influence on me and my attitude towards the developing world.

In later years I also gained significant exposure to the international lending agencies' work in Africa and became quite critical of their wasteful, top down approach which was not delivering sustainable change. For me the MicroLoan Foundation and its core philosophy of "a hand up, rather than a hand out" offered the perfect solution. This theme, alongside sustainability, transparency and grassroots entrepreneurialism, were key factors in my decision.

Today I see great opportunities to grow MicroLoan and make a difference in the whole of sub-Saharan Africa. Given my background I think I can help greatly in supporting the CEO and his team, particularly in building a more solid corporate foundation amongst our donors. I do hope you'll join us in our exciting future.

Christina, a MicroLoan client who sells clothes near Kasungu, central Malawi, with her daughter



Core to the ethos of the MicroLoan Foundation is the word 'micro'. We started small, concentrating on helping poor women living in rural areas and making 'micro' loans. The challenge of building the operation from the 'ground up' has resulted in the creation of a social model which, coupled with strong business management, is beginning to yield exceptionally good results.

In 2008, we increased our branches in Malawi from 9 to 15, with the number of loans disbursed rising from 7,500 to over 23,000, and groups from 270 to 686. During this time, we continued to maintain a loan repayment rate of 99%. We also opened the new operation in Zambia and finalised the registration in Namibia.

Fundamental to this achievement has been our determination to recruit and empower only local African staff and to support them with good local Trustee Boards as well as tight management from the UK operations team. Like our beneficiaries, we believe all our operations should be independent and sustainable.

We also aim to empower our donors and volunteers to contribute their skills to the work as much as possible. This contribution is both essential and supportive, and ensures that we continue to improve every aspect of our operation.

We hope you enjoy reading this review. We have tried to make it as transparent and open as possible, and in so doing we believe we can continue to build the right level of support to drive the charity forward.

We passionately believe in putting 'micro' at the heart of everything we do and that the power of 'micro' will eventually develop into the 'macro' vision that lay behind our inception. We have major plans for growth in the coming years and would be delighted to hear from you if you want to play a part in expanding the work.

CHIEF EXECUTIVE'S MESSAGE



Peter Ryan

OUR SOCIAL MISSION AND VALUES

Our Mission

The MicroLoan Foundation exists to assist the poorest of the poor. We are a conviction organisation that believes in helping people to help themselves in order to change their lives for the better. Our services are charitable and not-for-profit.

Our Focus

- Our core objective is to have a positive, sustainable impact on livelihoods in the communities in which we work.
- Our culture is entrepreneurial; our clients are treated as business people rather than recipients of charity.
- We value transparency and accountability both in the way we spend the funds we raise and in our own performance.

How we differ

Our work is primarily directed at the women of Africa. The largest operation we run is in Malawi and we are expanding to Zambia, Namibia and Mozambique. We also support a microfinance initiative in the Philippines.

Our lending is focused on those too poor to qualify for credit from banks. Our activities include providing small loans to groups of individuals to set up or support businesses, offering basic business training, skills education and ongoing mentoring to those we help.

Our clients are encouraged to save – so increasing their financial security. By boosting their independence we believe we are reducing the risk of long-term aid dependence and reducing the danger of corruption and reliance on money lenders.

MicroLoan's long-term goal is to make all its in-country services self-sustainable by ensuring that the money we raise and lend is repaid and so can be lent to others in perpetuity. To this end we keep management costs to a minimum and strive to improve our productivity and that of our clients.

Wherever we are represented we look for opportunities to work with others including local authorities and charities, to form partnerships on the basis of mutual advantage and to value and listen to the views of others, especially those we are helping.

We appreciate the contributions made by our supporters and use their skills, ideas, enthusiasm and resources to good effect. We believe this approach stimulates and inspires donors and clients alike. By proactively linking the two, we endeavour to raise the public profile of microfinance throughout the world.

Our charity is about reaching out to the very poorest in society, about giving and receiving and about the pursuit of sustainable, measurable and transparent change for the better.

HISTORY

The MicroLoan Foundation was founded by British businessman Peter Ryan in 1998 following visits to the Philippines and Malawi. MicroLoan in Malawi started out with one man operating from a garage in 2002.

Over the past decade MicroLoan has grown rapidly thanks to the patronage of individuals such as Bob Geldof, Gabby Logan and the Bishop of Kensington, organisations such as the UK Lottery and The Daily Telegraph Christmas Fund 2006, companies including AngloAmerican, Innocent and The Body Shop, and around 1,000 volunteers and supporters in the UK and overseas.

40% of the Foundation's funding comes from individuals. The organisation now employs more than 100 Malawian staff and has 18 regional offices in the country.



One of MicroLoan's earliest clients with her baby

OUR YEAR IN REVIEW: MALAWI ZAMBIA NAMIBIA MOZAMBIQUE PHILIPPINES

Over the 2008–09 period we made substantial progress in Malawi in pursuit of our objective of self-sustainability despite some major challenges posed by the changing external environment.

In terms of numbers, by the end of 2008 we had a presence in all regions in Malawi and were servicing 10,500 active clients out of 15 branch offices and supporting about 50,000 people. Six new branches opened during the year in Balaka, Karonga, Lilongwe, Mzimba, Nkhata Bay and Ntcheu districts and we expanded capacity at several existing branches. As a result MicroLoan Malawi was able to increase threefold the number of loans it made to just over 23,000 in 2008 compared to 7,500 in 2007 – a tremendous advance.

Since its inception in 2002 the Malawi charity has made over 50,000 loans to around 19,000 women, directly impacting the lives of about 114,000 family members and dependents. The average loan size in Malawi is now around MWK14,000 (about £55) per member.

For the second year in succession repayment rates on loans in Malawi reached 99% – a strong indication that offering more credit had not led to any decline in the quality of our clients and that the processes and controls we have in place are working well and capable of supporting our activities as they develop.

OUR MALAWI LOAN BOOK

	2008	2007
Number of Loans Made	23,215	7,500
Value of new loans (MWK'000)	331,060	99,543
Value of new loans (GB£)	1,258,783	348,050
Average value of loans (MWK'000)	14,260	13,270
Repayment rate	99%	99%



Lenie Nkhoma and son Jona

THE 50,000th LOAN

Lenie Nkhoma is 42, married to a farmer, with two children of her own and an orphan boy to care for. She belongs to the Chisomo (Grace) Credit Group which is based six kilometres from the town of Kasungu. She has been treasurer of the group since it was set up in June, 2006 – “an easy job” she says, “because the group is very good at repayments and hasn’t had many problems.”

The Chisomo group is now into its ninth loan cycle and in June, 2009, Lenie received what turned out to be the 50,000th loan provided by MicroLoan to clients in Malawi – a huge achievement in just over seven years.

If Lenie Nkhoma is anything to go by, it is not just the number of loans that deserves to be recorded. In three years her progress has been dramatic, going from selling tomatoes to selling clothes and general groceries to running a bicycle taxi business and hiring a person to ride the bicycle. She also cooks fritters as a sideline.

This sustained drive has brought its own rewards and the family has gone from being impoverished farmers to a situation today where it has its own house and a couple of goats and sheep, has enough food on the table and can plan on sending all the children to secondary school.

If there is one thing Lenie would change it is for groups like hers to be rewarded with bigger loans and lower interest rates. That way, she explains “we would be able to move from the village into town and maybe start a business there.”

OUR MALAWI OPERATIONS

	2008	2007
Number of branches	15	9
Number of client groups	686	270
Number of staff	88	49

Our rapid growth, which continued in the first half of 2009 with the opening of another four branches in Malawi including rural Blantyre and Mangochi, followed the decision we took in 2007 to build capacity. In addition, the greater emphasis we are putting on key management performance indicators, such as reducing the time it takes us to re-lend to clients, means that the amount of capital we require to service our clients is declining.

Our growth in 2008 was underpinned by a factor outside our control – the weather. Since our operations are targeted at extremely poor people in rural areas, the success or failure of staple food crops and tobacco is crucial. In 2008 Malawi experienced good rains and a bumper harvest, and the subsequent strong level of business activity contributed to the high repayment rate we recorded. Previous harvests have not been so successful, sometimes leading to famine. On those occasions we have written off loans to affected clients.

Malawi’s vulnerability to the weather is one of the main issues that our new Microventures programme, operated within MicroLoan Malawi, is addressing. By giving clients in target areas the opportunity to learn skills that can be applied in their businesses (two-thirds of our clients have had little or no schooling), we aim to reduce their dependence on the weather.

During 2008/09 Microventures set up trial loan groups to receive specific training and funding for irrigation programmes,

juice making, knitting and sewing and chicken broiler businesses. Lessons were learned and we are seeking ways to identify projects that can be scaled up and aligned with our objective of self-sustainability.

The period under review also involved new monitoring in Malawi to assess the impact of our activities. On average we estimate that clients and their families exist on a daily per capita income of US\$0.67. After receiving between one and five loans from MicroLoan Malawi this rises almost 150% to US\$1.67 per day. Such a large increase in income makes a major difference to livelihoods – for example, enabling clients to buy medicines or to support their children’s education. In addition, we estimate that our 10,500 existing clients in Malawi have saved more than US\$240,000 – an average of around US\$23 per client.



BEATING HUNGER

Before she received a loan, Loveness Mbewe, a 33 year old married woman with six dependents including 19 year old orphan twins still in education, says that her family often went hungry. Her husband worked sometimes but lost his last job more than a year ago. Without his input the total income for a family of eight people in 2008 was just MWK600 (£2.50) a week.

Early in 2009 Loveness became part of a MicroLoan group formed in Mzuzu town, Malawi. With a loan of MWK10,000 (£41.66) she then set up a business selling new clothes, beans, frozen juice and firewood – a combination of activities dictated by the weather, local dietary habits and payment problems associated with selling clothing on credit.

Within four months the family’s health had improved noticeably as everyone began to eat better; business turnover had reached MWK2,000 (£8.33) a week and Loveness had been motivated by her group to go for a larger loan. “My loan – my first – really helped me,” she says. “I find that the other women in my group give me good advice.”

Now Loveness is aiming higher and is seeking the capital to buy beans in bulk to sell to government boarding schools. “I’ll also need money for the transport and accommodation costs involved,” she adds.



Loveness Mbewe and her children

We encountered two serious challenges during 2008 which placed our operations in Malawi under unexpected pressure. First, the 25% devaluation of sterling against the Malawi kwacha over the year meant that we had fewer resources than planned to fund our operations. Second, there was a significant rise in the price of food and oil in Malawi.

Within MicroLoan Malawi these developments meant that its costs in sterling exceeded its budget, challenging the viability of our self-sustainability model. Externally, problems arose when clients requested higher value loans to enable them to develop their businesses further. Both issues were eventually resolved satisfactorily, and the experience gained has emphasised the need to deepen the support we offer to our best performing clients. We are committed to providing the best opportunities possible in the future for both new and existing clients whilst ensuring we achieve sustainability in the long-term.

Registering the MicroCredit Foundation in Zambia ran into many delays in 2008 for unforeseen reasons. Nevertheless, significant donors came forward to support this project and we were able to make our first loan in Zambia in May 2009.

In Namibia we concluded feasibility studies during 2008, appointed a country programme director (see box opposite) and secured corporate funding with a view to beginning operations there in the latter half of 2009. Our first branch will be located at Ondangwa, in the north of the country 80km from the Angolan border. Population density here is closer to what we have experienced in Malawi.



Jennifer Zulu

STARTING AGAIN

Jennifer Zulu had a vegetable business. On her weekly income of MWK25,000 (about £3.12) she was just about able to afford to send her two children to school. But so tight was money that she was unable to give them breakfast before they left home which meant that they struggled to concentrate in class.

Then thieves broke into Jennifer's house and she lost everything. Undeterred, she started again, making buns and fritters with the help of a loan from MicroCredit Foundation Zambia. "I've had a loan once before from someone in my village who charged me 50% interest," she says. "This loan has been completely different because repayment is easier and I have received training too."

The loan on its own without the training, she explains, would have been worth much less to her "because I would have kept on working in the same way as before." Instead, the training she received means that she now keeps track of things like profits and losses and thinks about new ways to attract customers.

Jennifer, who is chairlady of the Mthuluzi group, has seen her income more than double to MWK55,000 a week (£6.87) and her savings reach MWK40,000 (£4) since she received the loan from MicroLoan. Now she is hoping to expand her business so she can stop worrying about school fees and, eventually, save enough money to buy a house for her children.

In parallel we undertook a feasibility study in Mozambique during 2008 with positive results. A more detailed study was conducted early in 2009. Following this we began to engage in the registration process and develop an operational plan with a view to opening a branch in the northern region of the country before the end of 2009.

Meantime in the Philippines the MicroLoan-supported Philippines Self-Help Foundation (PSHF) is now into its third decade of charitable work. PSHF operates in four provinces in the Central Visayas region and provides loan assistance to poor families. With a staff of 17 led by founder Richard Foster, it also runs a pre-school for 120 children on the island of Cebu. During 2008 PSHF disbursed £80,000 and assisted 177 individuals and 17 groups. It has a 90% loan payback rate.

HOW TO SET UP AND RUN A SUCCESSFUL BRANCH

- Deploy an experienced loan officer from an existing branch
- Interact with the local community and village headman to build up trust
- Start small to keep costs to a minimum while building a client portfolio
- Provide training and mentoring to clients prior to making a loan
- Establish a constructive relationship with local bank manager
- Prevent employees from handling client money
- Ensure close monitoring of the branch by the regional manager



MicroLoan client, Anna, working at her stall in Dwangwa, northern Malawi

OUR WOMAN IN NAMIBIA



Faith Mandizvidza, the MicroLoan Foundation Programme Director in Namibia, has wide experience in microfinance and business development having worked in this field for more than a decade.

Trained at the University of Zimbabwe where she gained an honours degree in Business Studies, Faith has operated across southern Africa with international NGOs such as Enterprise Works Worldwide, Care International and Catholic Relief, focusing on microfinance and business development services as well as acting as a hands-on business trainer and mentor.

Prior to joining the MicroLoan Foundation Faith was Regional Manager for Project HOPE Namibia. Here her responsibilities included leading a team of 35 members in four regions and managing a microfinance programme targeted at marginalized groups such as women in the north of the country. The services provided included start up capital, business skills training and access to markets. Under her leadership the programme achieved a 98% repayment rate.

To help her prepare for her new assignment Faith has been studying for a Masters degree in Business Administration at Regent Business School in South Africa. She is excited to be starting a project from scratch. "I have a strong belief in microfinance services for the disadvantaged and I also believe this is a great opportunity for me to help people address their economic issues," she says. "My aim is to make the MicroLoan Foundation a leading microfinance organisation in Namibia by providing quality services and covering more areas."

OUR YEAR IN REVIEW:

UK USA AUSTRALIA

We recorded some major accomplishments in the UK, USA and Australia during 2008–09 which marked both the growing professionalism of the charity, our widening appeal and the increasingly global scope of our fundraising.

In the UK we put in place a new management and oversight structure. The Board of Trustees agreed to employ Peter Ryan, the charity's founder and at that time Chairman, as CEO from the start of August. With the agreement of the UK Charity Commission, he continues to serve as a Trustee. On becoming CEO Peter set up an internal management team with authority for operational matters including finance and employment.

In tandem the Board of Trustees appointed Egmont ("Eggie") Kock, recently retired from the leading professional services firm Deloitte, as Chairman and Trustee of the charity from September, 2008. A Remuneration & Appointments Committee and an Audit Committee were also formed, both reporting to the Board of Trustees.

Over the period under review our income continued to grow and the funds expended on charitable activities increased significantly (see Business Performance, p. 19). In line with this development, planning to expand our activities into Zambia, Namibia and Mozambique moved ahead and should begin to bear fruit in the second half of 2009.

Fundraising in the UK held up well, reflecting the charity's increasing ability to demonstrate the positive impact our work is having on the lifestyles of our clients. We explored several initiatives to widen our supporter base beyond the 1,000 or so core people now involved and to broaden the role of the 80 volunteers who assist our five permanent members of staff in specific areas. As part of this initiative, work commenced on creating a new, interactive website to enable donors and clients to have closer interaction.

Overall, we reached mid-2009 confident that the charity was well placed to weather the consequences of the current global economic downturn.

WHAT THE PAPERS SAY

"Training is central to the success of Microloan Foundation. The approach does not use rocket science ... just very advanced common sense ... Basic business know-how and financial discipline are cornerstones of MicroLoan's training philosophy and success."

(Peter Burgess "The Importance of Training" in Microfinance Focus Magazine)

"Microfinance has attracted growing attention in recent years as a way to help lift people in developing countries out of poverty without making them dependent on charitable handouts."

(Sacha Pfeiffer "Seed Money" in the Boston Globe)

"Unlike other microfinance specialists, MicroLoan has no plans to become involved in any larger-scale commercial lending."

(Mike Foster in Financial News)

"The commitment and support of donors and volunteers over the past few years has allowed MicroLoan to expand rapidly. Its entrepreneurial structure and accountable approach to all donors has been a major factor in this support."

(Retail Digest)

In the United States 2008–09 was dominated by the "Small Change, Big Changes" educational initiative which was launched in March, 2008. This project, led by Boston College student Lauren Galinsky, involved creating a school curriculum focused on global poverty and the role of microfinance in alleviating it. Several Massachusetts high schools got involved and more than \$9,000 was raised 2008–09 in the US by our student supporters.

In parallel the Boston College Microfinance Initiative (BCMI) to raise awareness of microfinance was unveiled at the university by Lauren Galinsky and Matt Brooks. In January, 2009, a panel discussion involving Peter Ryan and other microfinance experts was held successfully by BCMI on the campus. Later the BCMI group hosted a second event highlighting the impact that microfinance has on women worldwide. This was also well attended.

Peter Ryan also spoke at a MicroLoan fundraiser at the Sloan School at the Massachusetts Institute of Technology (MIT), along with David Rice (USA Director of MicroLoan).



Lucia is on her first loan cycle and sells fish at her local market



Evelyn sells tomatoes at Uliwa market in northern Malawi

MicroLoan Australia began to put down roots in 2008–09. Simon Tedeschi, the renowned concert pianist, agreed to be the organisation's patron. In April an "awareness raising" morning was held in the heart of Sydney's financial district. A major donation of \$15,000 was received from a supporter who wished to remain anonymous. This helped to defer some start-up costs in Australia and also proved to be a significant contribution towards the establishment of our first "Australian" branch office in Malawi.

A SOCIAL AUDIT

In March, 2009, we invited Anton Simanowitz of the UK-based Institute of Development Studies, to visit Malawi and to review MicroLoan's structure, management and operations in relation to its social performance – the Foundation's ability to improve the lives of its clients.

In a wide-ranging report, Anton found that the organisation's systems and internal controls in Malawi are "broadly sound" and that it is able to demonstrate "impressive involvement of clients in processes and sense of ownership."

Against that the report raised a number of questions. In particular it highlighted the importance of data on why clients stay or leave the programme and discussed other issues such as "barriers to entry" and the best approach to adopt to client problems.

One valuable insight concerned the need to strengthen clients' businesses and management skills as well as the importance of helping them to cope with illness and other problems. Specific recommendations included setting up a separate introductory programme targeted at very poor women, improving the training given to loan officers, improving the monitoring of group training sessions, providing more flexibility in repayments and establishing a stronger internal audit process.

MICROLOAN TODAY & TOMORROW



In a recent conversation with a MicroLoan supporter, Chief Executive Peter Ryan reflected on the Foundation's achievements and the challenges that lie ahead.

Q: MicroLoan made its first loan in 2002. What have been the key lessons you have learned since that first step?

A: First, always start something small. Second, build from the ground up. And third, make sure it works. If it doesn't, learn the lessons, apply them, adapt, change and move on.

Looking back, I'm not sure we would do anything differently. Essentially we adopted an intuitive approach. You can't grow an organisation like this overnight. It has to be one step at a time. By following this model we've managed to create a strong base.

Smallness has been integral to what we've done. We started very small – just me. We knew very little about microfinance, so we had to learn as we went along. Also, we had very little money at the beginning. We couldn't just walk in to a new place and flash our wallets around.

We realised very quickly that we needed a local partner and this led us to Malawi. In retrospect, Malawi was the perfect place to start. It's a small country. It's very poor. It's relatively safe. The people are very nice and the great majority live in a rural environment. There are banks reasonably close to most communities and English is widely spoken.

Our growth in Malawi has actually been quite smooth – because we've built from the ground up. The emphasis has always been on the "micro" – whether it relates to financial controls, people or communities – and on listening. Many of our branches have been started by one person operating out of his or her house. The client groups have often built on each other, like a network, rather than be formed all in one go.

Q: You believe in universal access but focus MicroLoan's work on women. Isn't this contradictory?

A: Lots of men actually help with the business although it's the woman who holds the purse strings! Women are more committed to the realities of feeding and clothing their families and this is the main reason why our repayment rates are as high as 99%. This enables us to help more people, men, women and children in the longer term.

Q: Is there a danger of creating dependency on MicroLoan?

A: Well most of our clients do get successful businesses up and running and don't come back to us. Some though do stay for six or seven loans partly because they find the sense of community and training we provide essential support. We're keen to make our clients as independent as possible and progressing them to bank loans is key to our long-term strategy.



Q: MicroLoan is expanding rapidly with branches opening in Zambia and Namibia and plans to follow suit in northern Mozambique. What's driving this development?

A: Yes, we're expanding – but Malawi will remain our core for sometime to come. Over the next five years we plan to grow step by step in Malawi in terms of the number of loans we make and the size of loans, and we also hope to build one or two "social enterprises."

Still, we think it appropriate now to look further ahead and to try to work with other very poor and hard-to-reach clients in Africa. There's clear need in each of the countries you mention. In Namibia we have the support of a corporate donor while in Mozambique we hope to link up with a London Anglican church project. Zambia is similar to Malawi in terms of need.

A lot of this development depends on donors. If someone offers help with resources as well as funds and wants to work in a certain area, within reason we'll look at what is being suggested. We'd be silly not to do it.

Q: MicroLoan is also raising funds to build a training centre in Malawi and develop the Microventures programme. What's the rationale behind these initiatives?

A: We realised pretty quickly that it's one thing to get basic businesses up and running in Africa and quite another to develop anything more substantial. To do that you need to give people the opportunity to learn skills they can use in their business.

The key thing is that any training programme has to be simple and something that can be replicated easily. So the challenge

has been to identify programmes that can be scaled up and shared widely. Microventures has been experimenting with forming loan groups that receive training and funding for specific activities such as irrigation, juice-making, knitting and sewing and chicken-rearing. A training centre would be a big boost to such activities.

Q: How are you planning to fund this expansion?

A: Several ways. The main one is by increasing the number of donors, small and large. Our major tool will be our new website which we hope to launch in September/October 2009. It's going to be much more user friendly and interactive and will allow donors to identify with individual client groups and follow their progress. Now that we've got supporter branches in the USA and Australia this will be an added attraction for them.

We're also adapting our management structure to allow individual donors to form their own groups of supporters which will widen our fundraising base. We are also approaching our corporate backers to support specific MicroLoan projects on their websites and allow their employees to link in to what we're doing.

Q: Is the global recession impacting individual and corporate donations?

A: It's definitely hard work in the current global climate to broaden one's fundraising constituency and attract new money. We're always on the look-out to secure future funds and the social network of investment which MicroLoan offers is very attractive to donors. Clearly, though, to move to the next level of activity and substantially increase the number of loans we make, we'll need significantly more resources.

BUILDING A TRAINING CENTRE

Two-thirds of MicroLoan clients have had little or no schooling. So from the outset of the Foundation's work in Malawi we have considered training to be essential to the overall success of our programme.

As part of the normal lending process run by individual MicroLoan branches, all clients receive eight training sessions before their first loan and more training during loan cycles as required.

In addition, during 2008-09 the Microventures programme sought ways to give clients in target areas the opportunity to learn specific skills that could be of use in value-added businesses – so lessening their dependence on uncertain factors such as the fortunes of the rainy season.

Our intention now is to take this 'social enterprise' segment of our activities in Malawi a step further by constructing and operating a large, purpose-designed training centre to ensure our clients have the opportunity to participate in businesses that are both financially sustainable and have real social impact on their communities.

During 2008-09 a site was selected in Kasungu for this project, architect-designed plans drawn up by Allies and Morrison on a pro-bono basis, and contributions offered from two donors to fund the build. We hope to complete construction by the end of 2009 so that it will be operational in 2010.



FUNDRAISING AROUND THE WORLD



Zina is widowed and sells groceries in northern Malawi

Throughout 2008–09 numerous grassroots level fundraising activities were held around the world involving hundreds of individuals and many supporter groups. Such voluntary efforts remain crucial to the success of MicroLoan.

UNITED KINGDOM

A marathon run

Nick Ross-McCall from Ashurst took part in the Edinburgh Marathon in scorching weather in May and raised £1,250 for MicroLoan by completing the event. In Nick's words: "I was delighted to get the opportunity to run on behalf of my favourite charity and to raise funds which can be recycled from one loan group to another and so go much further than 26 miles." The photo below was taken as he neared the finishing line.



Pyjama Party

Instead of lounging around in their pyjamas, a group of nine enterprising sixth formers at Oundle School in Northamptonshire hit on the idea of designing their own. Their unisex pyjamas, which cost £23, have raised £2,000 for MicoLoan in 2009. Student Sarah Bury says that "as a result of this venture a number of us have plans to visit Malawi in our gap year to see exactly how our money is helping people."



Walk to Work

MicroLoan Foundation's key fundraising event in 2008, Walk to Work, was open to participants across the globe, reflecting the increasingly international make-up of the organisation. In September, people from both the UK and abroad were sponsored to walk to work, thereby helping women in Africa (who have no choice but to walk everywhere) to set up their own businesses. The event raised £20,000 for the charity, and the



challenge has now been set for building on this with Walk to Work 2009 which will take place on 16th October.

UNITED STATES

Singing for their supper

The Medway Microfinance Club was set up in January, 2009, by high school juniors James Davock and Sarah Geiwitz and within six months had 70 members. Together with Emma Mayville and Joe Burchard, James and Sarah produced the MicroLoan Foundation USA Club Handbook - a guide to help other students across the United States start clubs in their schools.



To support female entrepreneurs in Malawi club members began selling fair trade products made by companies such as Basket Africa and Kazuri America. In May the club hosted an A Cappella Night and invited high school groups from across Massachusetts to sing at Medway High School. These efforts raised more than \$9,000 and James and Sarah say that "they aren't stopping there."



AUSTRALIA

Street-level awareness

The first-ever MicroLoan Awareness Day was held by MicroLoan Australia in the Wall Street district of Australia at the Amphitheatre, Martin's Place, in Sydney, on April 30 2009. In a presentation financial executive Clive Hughes argued that MicroLoan has a "different approach to charity – indeed it is the charity that doesn't give, it merely lends a tool to the poor that the rich take for granted."



MicroLoan client selling clothes at a market

OUR BUSINESS PERFORMANCE



Christina, Chair of her loan group, checks figures with a Loan Officer

Measured against our targets, 2008 proved to be an outstanding financial year for MicroLoan. This occurred despite several unexpected challenges during the second half of the year including the sharp downturn in the UK economy, the 20% devaluation of sterling against the Malawi kwacha and the significant rise in the price of food and oil in Malawi reflecting higher commodity prices worldwide.

Total income in 2008 rose substantially in like-for-like terms given that in 2007 our funds were boosted by a one-off event – the support of the Daily Telegraph 2006 Christmas Appeal. Expenditure on charitable activities increased by almost 60%. Repayment rates in Malawi continued to be outstanding, while improved management of our re-lending process meant that less capital was required than forecast.

Fundraising proved buoyant throughout the period under review. This reflected two main developments – our growing ability to demonstrate to donors the positive impact that our work is having on the livelihoods of our clients; and our donors' widening commitment to support our long term goal of establishing a self-sustaining operation in Malawi that can be replicated in other parts of southern Africa.



Ellen, Secretary of her loan group, completing her log book

KEY HIGHLIGHTS

- Total income reached £909,290, a 1.3% rise on 2007 when about one-third of our income originated from The Daily Telegraph 2006 Christmas Appeal.
- Fundraising income, including individual and corporate donations, events and grants, rose slightly on 2007 to total £885,839.
- Expenditure on charitable activities totalled £561,588, up 36% on 2007. Of this, £463,444 was spent either as direct grants or for the in-country costs of our subsidiary microfinance operation.
- Funds carried forward totalled £707,146, up 27% on 2007, reflecting the need to meet tougher reserve policy requirements and donor support for specific projects set for 2009 and beyond. About one-fifth of these funds were earmarked for new branch set up costs in Malawi.
- The ratio of administrative costs to voluntary income rose to 18% (16% in 2007) due to the need to replace The Daily Telegraph money by reaching out to more donors and to other short term developments. Our fundraising costs remain within the 15–25% of income normal for charities – see www.charityfacts.org

These achievements were offset by some unplanned factors. In Zambia our attempts to develop The MicroCredit Foundation (Zambia) - formed in 2007 - were held up by delays in gaining approval from the Bank of Zambia to begin loan operations in the country. In addition plans to construct a purpose-built training centre in Malawi alongside our head office in Kasungu had to be put on hold pending the arrival of a second donation.

Also, as mentioned above, the devaluation of sterling and higher commodity prices effected our activities in Malawi to a significant degree and placed our operations under some pressure. Overhead costs of MicroLoan Malawi, for example, exceeded its budget for the year while capital shortfalls arose when some clients requested larger (sterling valued) loans to enable them to develop their businesses.

Both the commodity price and foreign exchange situations stabilised in early 2009 and we now believe MicroLoan is well placed to weather the global economic downturn. Nevertheless, while our self-sustainability model remains viable, we feel that more attention must be given to supporting business development by our best performing clients in Malawi. This, we think, will bring mutual benefits for our clients and for MicroLoan.



Hope's hardware store

OUR SOURCES OF FUNDING

	2008 AUDITED	2007 AUDITED
	£	£
Individuals	342,097	610,086
Events	53,400	28,362
Grantmaking Trusts	310,990	141,911
Companies	179,352	97,058
Investment Income	22,886	18,177
Other	-	1,882
TOTAL	908,725	897,476

WHERE OUR FUNDING GOES

	2008 AUDITED	2007 AUDITED
	£	£
Microloan Malawi	448,025	252,706
Generating Funds	183,280	144,358
MicroVentures Malawi	50,894	71,583
PSHF*	18,274	17,077
Zambia Start Up	39,371	12,394
Namibia Start Up	5,025	1,579
Governance**	11,503	2,870
Reserved	152,353	394,909
TOTAL	908,725	897,476

* Philippines Self Help Foundation
** Audit Fees; Finance



A client selling clothes at her local market

WHO WE ARE

A full-time team of six permanent staff administer the charity from Chiswick, west London, backed by around 80 core volunteers. In 2009 Microloan planned to open five new offices in Malawi as well as extending its activities to Zambia, Namibia and Mozambique.



OUR GLOBAL STRUCTURE

The MicroLoan Foundation is administered by a Board of Trustees headed by a chairman. The Board meets at least once every two months. Day-to-day leadership is provided by a full-time, paid Chief Executive Officer.

The charity has a close relationship with MicroLoan Foundation (Malawi) which is a registered trust in Malawi. Two UK trustees are also trustees of the Malawi entity. The MicroCredit Foundation (Zambia) was formed in 2007; it is a limited company. Two UK trustees are also directors of the Zambian entity. In Namibia two UK trustees are directors of MicroLoan Foundation Namibia.

At the start of 2008 the MicroLoan Foundation USA was established. It is a non-profit organisation formed to create a fundraising base in the United States. One of the UK trustees is also a trustee of the US entity. In Australia MicroLoan Foundation Australia was registered as a company limited by guarantee in June, 2008. Two UK trustees are also trustees of the Australian entity.

BOARD OF TRUSTEES

Egmont (“Eggie”) Kock, Chairman, led Deloitte’s consulting business in Europe, the Middle East and Africa before retiring in 2008. He has a strong affinity with emerging economies, particularly in Africa.

Peter Ryan, Founder and CEO is a businessman who set up and ran consumer goods and IT companies. He has a strong working experience of Africa and set up the MicroLoan Foundation in 1998 after visiting Malawi.

Jeff Bennett is a Recruitment Consultant in a specialist international consultancy.

Greg Delaney is Chairman of the Advertising Agency, Delaney Lund Knox Warren (DLKW), which he co-founded in 2000. Greg has helped grow DLKW into one of the UK’s leading and most successful advertising and digital agencies, employing over 200 people.

Iain Richardson recently retired after many years’ finance experience in the oil and chemical industries both in the UK and overseas.

Nick Ridge is a qualified accountant, ex KPMG, and a partner in a London practice. Nick supported the financial management of MicroLoan during its start-up phase.

Caroline Ryan has a background in PR and publishing, and now works as a psychotherapist.

David Young has international business experience in the food, household and consumer goods sectors. Previously he was Global President of Duracell Batteries and Chief Executive of an international food business. He is currently non-executive director of a medical company.

UK MANAGEMENT TEAM

Peter Griffiths, Head of Finance and Operations, is a chartered accountant with experience in the financial services industry. He has an MSc in development studies.

Michael McGrath, Head of Fundraising is a certified fundraising manager who has worked in the voluntary sector since 2001 both in the UK and on development projects in Africa.

Sarah-Jane Seel, Communications Officer, formerly worked as a researcher in the political sector, focusing on international development and education briefs. She joined MicroLoan in October 2007 and specialises in PR, communications and donor management.

Ben Frampton, Fundraising & Administration Officer, has a Master’s degree in Sustainable Development and Disaster Management and has worked in Zimbabwe. His focus is on Trust fundraising.

Cathlin Norris, Accountant, joined MicroLoan in May 2009. She has many years of finance and accounting experience in the public and private sectors.

AFRICAN MANAGEMENT TEAM

James Kajamu, CEO Malawi is a former banker with seven years experience in the microfinance business. He has an MBA from the University of Wales.

Kenson Chiphaka, CEO Zambia was MicroLoan’s first recruit in Africa and the first CEO of MicroLoan Malawi.

Faith Mandizvidza, Programme Director, Namibia has an honours degree in business studies and over ten years experience of microfinance and business development.

PATRONS

Bob Geldof, KBE
Gabby Logan
The Rt. Rev. Michael Colclough
(former Bishop of Kensington)

OUR VALUES

We Seek To Be:

Attentive

To respect and listen to others, especially the individuals we are helping. They probably know best what they need.

Far-reaching

To find people stuck in poverty who would otherwise struggle to support themselves and others and help them to build a sustainable life.

Small

To discover the point of greatest leverage where our small intervention can make the biggest impact. You can take a chance with someone if it’s small. Take a million chances. Don’t stop at a million.

Consistent

To do what is right with conviction, sensitivity, enthusiasm and inventiveness.

Open

To use our funds and time in a way that we can always justify – efficiently, sustainably, effectively and with a strong focus.



Microventures client, Christina, practicing her sewing

REACHING OUT

Whenever it can MicroLoan cooperates with other organisations to broaden its impact, tap in to relevant skills and hold down costs. 2008–09 was no exception.

One valuable partnership involved Jane Stacey, Regional Director of Barnado's. With her husband, Jane spent four months in Malawi assessing the impact of our work on children and also helping to develop MicroLoan's links with children's charities in the country.

"We really enjoyed the work and had so many interesting experiences. It was more than we hoped for."

– Jane & Ken Stacey

During 2008 we requested help from Voluntary Service Overseas (VSO) in setting up MicroLoan's IT department in Malawi. Sika Somberg, a VSO volunteer from the United States, spent 12 months with us. Her activities included training branch staff, distributing computers to the branches and improving the work flow of our finance and operations department.

"The jubilation the women showed at their graduation ceremony, and the pride in their eyes, made me understand the value of MicroLoan's work in Malawi"

– Sika Somberg

We also began an environmental project in Malawi with a UK charity to pilot the sale and distribution of small-scale solar panels.

In the UK many volunteers provided invaluable assistance both with fundraising and the running of the organisation. Among those owed a special debt of thanks in 2008-09 were Sarah Danby, who works on our accounts, Judith Perle who explores new ways of involving our volunteers, photographer Andy Holmes who spent a week in Malawi at his own expense taking photos for MicroLoan (many of which appear in this review) and Robert Webber who has been managing the re-design of our website.

ONE FOOT IN AFRICA

Wesley McCoy (pictured below) has always had an affinity with Africa – his mother is Malawian. And one of his goals in life has been to take what he learned as a London-based asset manager and see how much of it could be used in Africa. By 2008 he was "ready for a change" and jumped at the chance to join MicroLoan in a voluntary capacity as Development Director in southern Africa.

He and his wife moved to Blantyre and since then he has been working on a number of projects. These include setting up MicroLoan's Zambian operation in tandem with the London office and Kenson Chiphaka (MicroLoan's CEO Zambia), capacity building in Malawi, fundraising, advocacy support, helping to plan a training centre in Kasungu and linking MicroLoan with organisations in Malawi.

"It's been great to see the hard work turn into our first loans in Chipata. Having visited the area I know Zambia is perfect for our products, particularly since development there has previously been largely urban focused," he says. "I'm pleased to report that my support for microfinance in sub-Saharan Africa has grown through experiencing the countries first hand. Working in Africa can be frustrating but it's all about adjusting to reality. The people of Malawi and Zambia have been very encouraging and supportive. Their desire to work hard to improve their situation and society is truly inspiring."

You can keep up with Wesley by reading his blog <http://ourmaninmalawi.blogspot.com/>



Microventures client, Sophie, shows off the jumper she has knitted. She graduated as a knitting and sewing student at the end of 2008.

WHAT PEOPLE SAY ABOUT US

"The MicroLoan Foundation is unlike traditional charities. It doesn't give anything away. It offers a hand up not a hand out ... What people need most is an opportunity to improve their lives. MicroLoan helps them do just that."

Bob Geldof, Patron

"I got involved [with MicroLoan] because the operational gearing it offers people gives them a genuine chance to change their lives. I like the way women are encouraged to repay their loans through a personal, one-to-one approach."

Jack Gibbs, Branch Sponsor

"The main reason we supported [MicroLoan] was the incredible leverage that results from each pound invested."

Ewan Kirk, Branch Sponsor

All clients featured in this Review are authentic recipients of MicroLoan Foundation's services.

We are very grateful to Delaney Lund Knox Warren for their design of this Review.

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